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Iraq

Status Report

May 13, 2009



Bureau of Near Eastern Affairs
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HIGHLIGHTS



- **PM Maliki Speaks Out Against Corruption (*POLITICAL*, page 4).**
- **KRG Announces Oil Export to Begin in June (*ECONOMIC*, page 9).**
- **FM Zebari holds a meeting with French FM Bernard Kouchner to discuss Iraqi-French bilateral relations (*DIPLOMATIC*, page 17).**
- **Combined Diyala Operations Producing Results for ISF (*SECURITY*, page 20).**

POLITICAL - Governance & Legislation



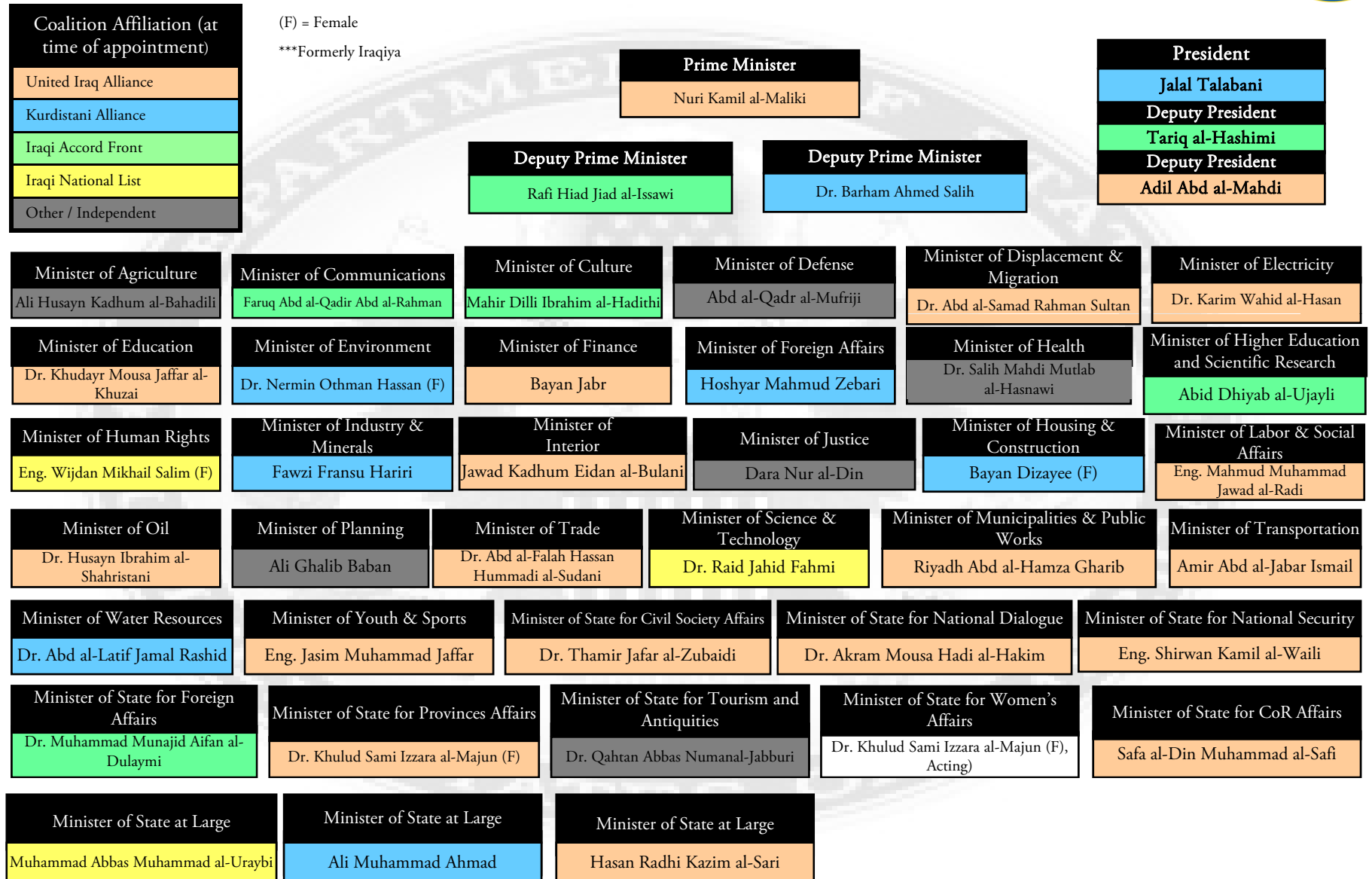
GOI addresses corruption

PM Maliki Speaks Out Against Corruption:

- In a public forum, Prime Minister Nuri al-Maliki recently called corruption a problem “even more dangerous than terrorism.” He suggested launching “a campaign against those corrupt people” and stressed the need for “cooperation between the people and the government to confront the corrupt and the bribed people who are manipulating public funds.” At the same time, members of the Council of Representatives (CoR) are trying to begin exercising their oversight authority over the executive branch. They gathered the 50 signatures required to bring Maliki, along with other ministers, to be questioned by the CoR. The issue of corruption gained increased attention after the brother of Iraq’s trade minister was arrested on suspicion of corruption. Police are seeking to detain nine other trade ministry officials on charges of embezzlement and corruption.



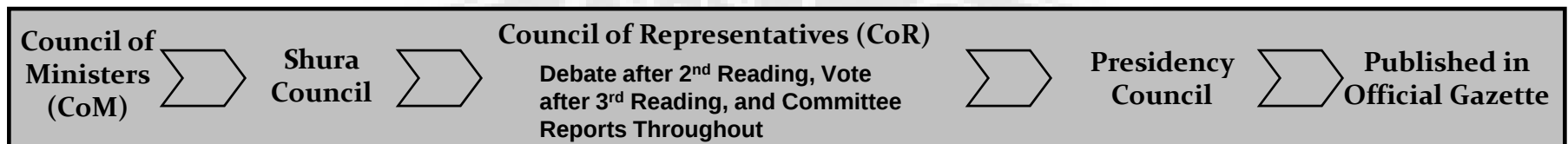
POLITICAL – Government of Iraq



POLITICAL – Key Legislative Issues



Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.

POLITICAL - Refugee Update



- Regional governments report hosting as many as 2 million Iraqi refugees.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- Since the program's inception in FY07 25,659 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.
- As of March 2009, a total of 375 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of March 2009, a total of 641 SIVs have been issued for Iraqis since FY08 (under the Section 1244 program).

ECONOMIC – Oil

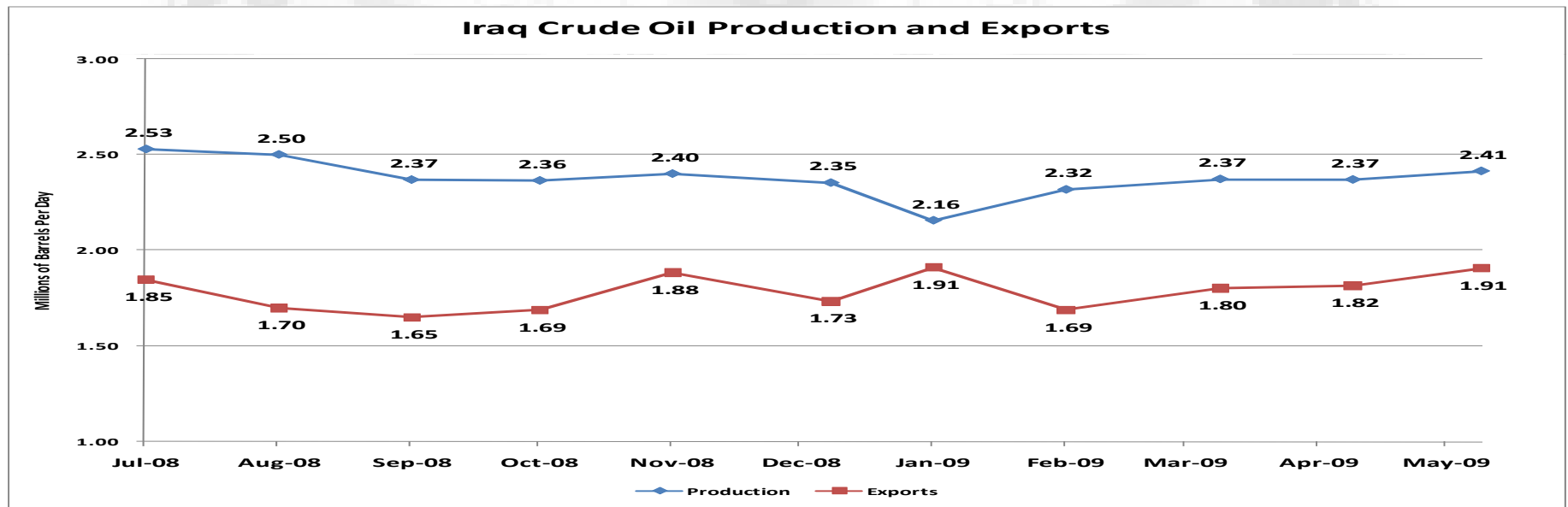


Oil sector remains active despite absence of new federal laws

Crude Oil Update:

Price averages in world markets closed with the following prices:

- Basrah Light at \$53.90/barrel
- WTI Cushing at \$56.00/barrel
- Dated Brent at \$55.41/barrel
- Oman/Dubai at \$54.97/barrel



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$10.74 Billion



ECONOMIC – Oil

Kurdish authorities appear to have accepted the Government of Iraq's conditions to allow for the export of only two oil fields

The KRG Announces Oil Export to Begin in June:

- On May 10, Iraq's Ministry of Oil responded to the Kurdish Regional Government's (KRG) statement on May 8 and said it will allow the KRG to begin exporting oil from the Tawke and Taqtaq oil fields in June. Ministry spokesperson Asim Jihad did not give any reason why the Government of Iraq had decided to allow the KRG to begin exporting oil, but did say that the Ministry of Oil's State Oil Marketing Organization would handle the sale of the crude oil in which the revenue would be deposited into the Development Fund for Iraq. The two fields would be integrated into federally-owned pipelines to pump the crude oil to the Turkish port of Ceyhan. There have been no public comments of how the companies operating the fields would be paid.

Large Kurdish Oil Reserve Discovered by Heritage Oil:

- The Canadian oil exploration company Heritage Oil announced May 6 it had discovered up to 4.2 billion barrels of oil in its exploration bloc in the Kurdistan Region of Iraq. Heritage Oil signed a production sharing agreement in late 2005 with Kurdish authorities. In a statement, Heritage said the Miran West field may be capable of producing 10,000 to 15,000 barrels of oil per day. On the news of the discovery, shares in the company rose in value by 18%.



ECONOMIC – Oil

Kurdish authorities appear to have accepted the Government of Iraq's conditions to allow for the export of only two oil fields

International Oil Companies to Bid on East Baghdad Field:

- A senior official in the Iraqi Ministry of Oil told Dow Jones Newswires May 7 that the ministry will invite selected international oil companies to bid on an Engineering, Procurement and Construction contract for the southern portion of the East Baghdad oil field. The East Baghdad oil field currently produces around 17,000 barrels per day and has estimated reserves of 7.5 billion barrels.

Shell Gas Deal May Be Finalized in June:

- A senior Iraqi Ministry of Oil official, speaking on condition of anonymity, said May 6 that the agreement signed between the Government of Iraq and Royal Dutch Shell PLC in September 2008 to capture flared natural gas in southern Iraq is expected to be finalized in June. The official said the deal will then be submitted to the Iraqi Cabinet for discussion although he did not know when it would be signed.



ECONOMIC – Oil

Kurdish authorities appear to have accepted the Government of Iraq's conditions to allow for the export of only two oil fields

Nassiriyah Oil Field Bids Might Be in Final Stages:

- Deputy Oil Minister Ahmed al-Shamma told Reuters May 6 the Ministry was in the final stages of examining bids from Japan's Nippon Oil, Italy's Eni, and Spain's Repsol, all of which submitted bids to develop the Nassiriyah oil field in southern Iraq. "We are doing final analysis of the offers submitted by Eni, Repsol and Nippon. We will try to select the best offer during the last third of this month," Shamma said. Bids for this limited competition were due earlier this year, but were delayed for undisclosed reasons.

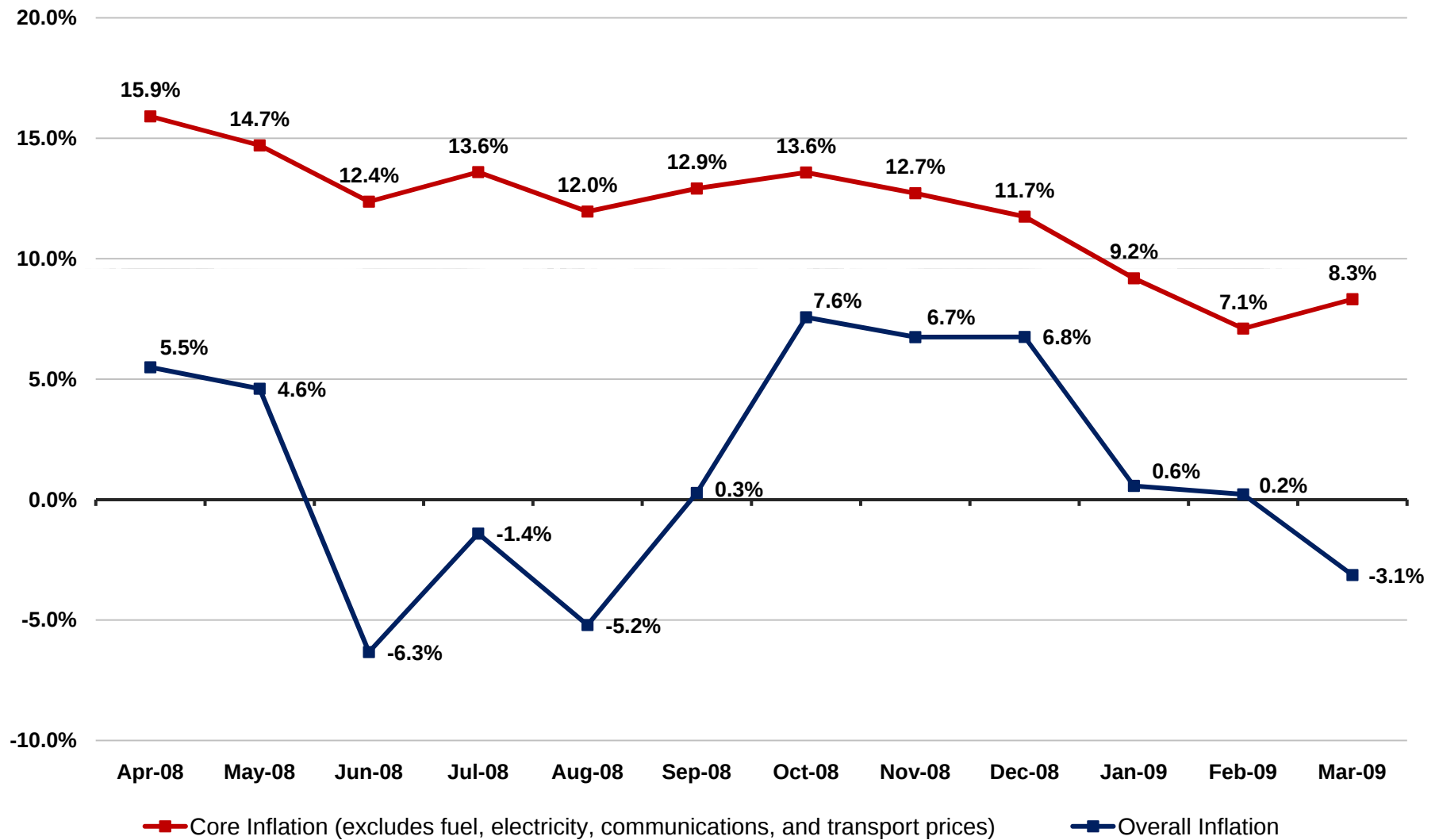
SOMO Reports Iraqi Crude Oil Price Adjustments:

- Falah Alamri, the head of Iraq's State Oil Marketing Organization (SOMO), said May 12 that SOMO increased the official June selling prices of Basrah crude oil and cut the price of Kirkuk crude for U.S. delivery. Basrah light crude for U.S. delivery in June was set at second West Texas Intermediate minus \$3.35 per barrel, an increase of \$0.25 a barrel, from minus \$3.60 a barrel in May. The June price for European delivery was set at dated Brent minus \$1.50 a barrel, an increase \$0.70 a barrel from \$2.20 a barrel in May. Basrah light crude destined to Asia in June was priced at Oman/Dubai plus \$0.45 a barrel, an \$0.80 increase per barrel from minus \$0.35 a barrel in May. The June Kirkuk crude for U.S. delivery was set at first WTI minus \$2.30 a barrel, a decrease of \$0.20 a barrel from minus \$2.10 a barrel in May. For European delivery, the June Kirkuk crude oil price was set at dated Brent minus \$1.50 a barrel, up \$0.45 a barrel from minus \$1.95 a barrel in the previous month.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation



ECONOMIC – Fiscal and Monetary Affairs



Once problematic, inflation in Iraq continues to stabilize

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$55.94	\$54.53	\$52.52	\$66.08
Yield	11.63%	11.92%	13.37%	9.95%

Inflation Rates Down Again in March:

- According to a statement released by Iraq's Central Organization for Statistics and Information Technology (COSIT) the March 2009 year-on-year inflation rate in Iraq was -3.1%, down from 0.2% in February of 2009. March 2009 year-on-year core inflation, (excludes fuel, electricity, transportation, and communication prices) was 8.3%, up slightly from 7.1% in February 2009.

ECONOMIC – Private Sector



The growth of the tourism sector in Iraq remains constrained by security although the visit of another tour group makes headlines

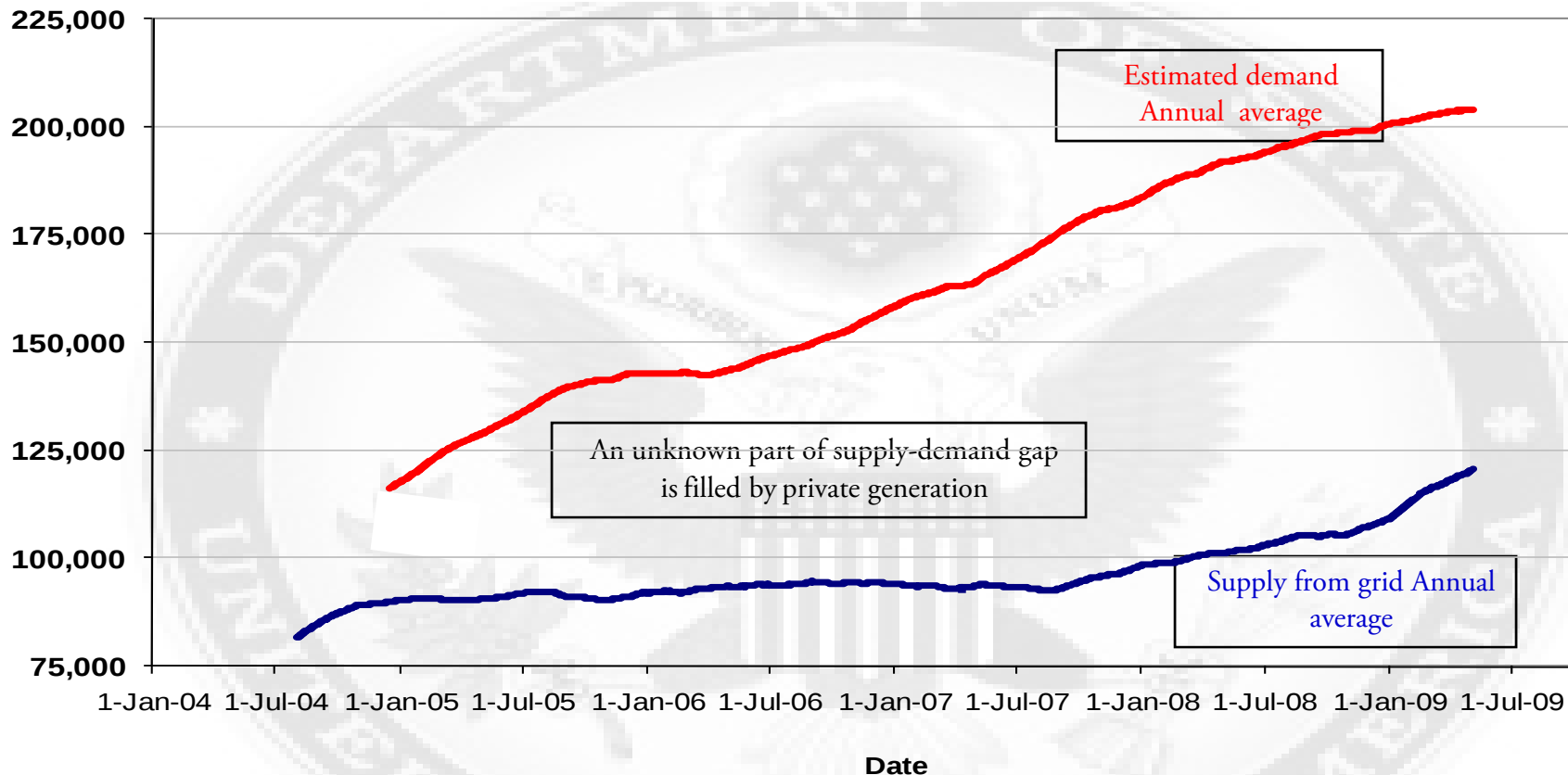
Asian Tour Group Visits Iraq:

- **Ministry of Tourism Spokesperson, Abdul Zahra al-Talaqani, said May 9 that the first official Asian tour group is in Iraq visiting historic and religious sites. In addition to seeing sites in Baghdad, ancient Babylon, Karbala, and Najaf, they will also visit Warka in Samawah, a Mesopotamian city over 5,000 years old and Ur.**

Public Services – Electricity



GOI needs to strengthen policy actions to manage demand and usage patterns



- Daily supply from the grid reached an all-time record of 149,000 MWh May 12. For the May 6-12 week, supply was 44% above the year-earlier period and met 70% of estimated demand compared with 51% for the year-earlier period.
- April hours of power after meeting demand from essential services: Baghdad 16.2 and Iraq 16.3. April 2008 levels were Baghdad 9.9 and Iraq 11.6.

Beyond Baghdad



Clerics discuss their experience as part of the Interfaith Dialogue

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

Erbil

KRG Forensic Science advocates met to discuss the future of forensic science and the advancement of criminal investigations. The newly formed working group is part of the assessment effort of the KRG's 10 Year Plan. The Working Group, under UK and U.S. military leadership, discussed the current state of the law, forensic efforts in Kurdistan, and the possibility of building labs and expanding forensics training.

Anbar

Six clerics from Anbar reported a positive experience following their participation in an Interfaith Dialogue Group visit to the United States as part of the State Department's International Visitors Leadership Program. The clerics have agreed to form an organization that will educate Anbaris about other faiths as well as religious tolerance. Through the Dialogue, the clerics gained perspective on what the average American is like as well as how religious tolerance operates in a democratic society.

Babil

The newly renovated Iskandariyah Vocational Technology Center had its grand opening with the media, community leaders, and Coalition officials in attendance. The Center was ransacked by looters in 2003. Reconstruction of the facilities was overseen by the U.S. Army Corps of Engineers and used Iraqi contractors. This year, the Center is expected to educate and house 4,000 students who will be trained in a wide variety of trades ranging from auto mechanics, carpentry, and sewing, to computers and hair dressing. The renovation is seen as a way to revitalize the local economy through job training and placement.



DIPLOMATIC – Political Engagement

GOI strengthens international ties and enhances Iraq's regional role

House Speaker Pelosi Visits Iraq:

- House Speaker Nancy Pelosi made an unannounced visit to Iraq May 10 to hold talks with Iraqi officials on challenges facing U.S.-Iraqi relations, Iraq's disputed boundaries, and intelligence and security cooperation. The Speaker vowed that the United States will maintain "intense political involvement" as U.S. troops begin withdrawing from the country and that the United States would continue to "help economically and culturally" in the future.

FM Zebari Meets with French Foreign Minister:

- Iraqi Foreign Minister Hoshyar Zebari and French Foreign Minister Bernard Kouchner held a meeting in Paris May 5. The Iraqi Ministry of Foreign Affairs reports the two reviewed security, political, and regional developments. The ministers also discussed Iraq's desire to have all UN Chapter VII resolutions removed. FM Zebari requested the support of France in the next review process between Iraq and the United Nations. FM Kouchner expressed France's desire to expand its diplomatic efforts in Iraq and to begin the process of opening a consulate in Basrah.



DIPLOMATIC – Political Engagement

GOI strengthens international ties and enhances Iraq's regional role

Iraq Sends Official Delegation to Arab Summit:

- Labeed Abbawi, Iraq's Undersecretary for Policy Planning and Bilateral Relations, led an official delegation to Cairo for a special meeting of the Council of the Arab League, held May 7. The Iraqi delegation also held a private meeting with Arab League Secretary-General Amr Moussa to discuss further developing relations between Iraq and the League.

Iran Cautions Iraq Over Border:

- Iranian Foreign Ministry spokesman Hassan Qashqavi urged Iraq in a news conference to "pay special attention" to armed groups operating along the Iraqi-Iranian border. Spokesman Qashqavi maintained that the Iranian government respected and supported Iraq's territorial integrity, but "expects that Iraqi officials pay special attention to movements of small groups which are officially known as terrorist groups even by Western governments." Last week an Iranian operation against Kurdish rebels in northern Iraq killed many civilians and led the Iraqi government to summon the Iranian ambassador and warn the Iranian government of "negative consequences" if such attacks persisted. Iran has neither confirmed nor denied reports its forces had shelled targets inside Iraqi territory.



DIPLOMATIC – Political Engagement

GOI strengthens international ties and enhances Iraq's regional role

Council of Representatives Calls for More Water from Neighbors:

- **The Iraqi Council of Representatives passed a resolution May 12 urging the Iraqi government to demand a greater share of water from upstream neighbors, including Iran, Turkey, and Syria. COR Member Karim al-Yaqubi was quoted by Reuters as saying that the “Iraqi parliament voted today to compel the government to include an article in any agreement signed with neighbors to ensure Iraq gets a fair share of water. If it does not, it will not be voted on.” Rainfall in Iraq over the last two years has been significantly below normal levels. Iraq also claims Syria and Turkey are restricting water flow into Iraq through the overuse of hydroelectric dams.**



SECURITY – Situation Update

ISF operations in Diyala improve security, as violence remains at 2003 levels

Combined Diyala Operations Producing Results for ISF:

- Combined efforts between the Iraqi Security Forces (ISF) and Kurdish Peshmerga, with support from Coalition Forces, have made significant progress one week into operation Glad Tidings of Benevolence II in Diyala province. “What’s particularly significant about this operation is the high degree of cooperation that ISF and Peshmerga units have shown in completing various patrols and clearing operations together,” said Major Chris Hyde, spokesman, 1st Stryker Brigade Combat Team, 25th Infantry Division. “I think it’s an excellent sign that the tides are perhaps turning in the relationship between these two groups.” The operation has resulted in the capture of hundreds of illegal small arms along with dozens of detainees suspected of terrorism. Notably, Iraqi Special Forces conducted a mission May 5 in the Hamrin Dam area of Diyala, and netted a suspected terrorist cell leader and nine of his associates. Additionally, more than 40 civil affairs projects have been conducted in conjunction with the operation to help areas in need.



SECURITY – Situation Update

ISF operations in Diyala improve security, as violence remains at 2003 levels

Violence at Lowest Levels Since 2003:

- **Multi-National Force-Iraq Commander General Raymond Odierno said during a Pentagon briefing May 8, that despite a spike in high profile attacks in recent weeks, overall violence in Iraq remains at the lowest level since the summer of 2003. Odierno acknowledged that despite the progress made in growing the capacity and capabilities of the ISF to combat AQI and other elements, the terrorists remain intent on conducting high-profile suicide attacks designed to garner attention and spark sectarian violence. General Odierno noted the recent progress in the Sons of Iraq program, the turnover of military installations to the ISF, and the implementation of the Security Agreement between the U.S. and Government of Iraq as evidence of Iraq being on the right path to success. “We are fully aware that the challenges are still in front of us as Iraq continues to evolve,” Odierno said. “And as it continues to improve, the problem set actually becomes more complex as we move forward.”**



SECURITY – Security Transition

The Iraqi Security Forces continue to develop and enhance their capabilities in cooperation with Coalition Forces

Iraqi C-130 Pilots Train in U.S. Flight Simulators:

- The Iraqi Air Force (IAF) and the U.S. Air Force are partnering to provide flight simulator training in the United States to Iraqi C-130 pilots, copilots, navigators, engineers, and loadmasters. The simulator training, an annual requirement for U.S. pilots, teaches how to handle emergency situations like engine fires, hydraulic failures, and power losses. 34 IAF personnel travelled to the U.S. for the training.

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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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